

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Developing a Unified Intercarrier Compensation Regime)	Docket No. CC 01-92
)	
Missoula Intercarrier Compensation Reform Plan)	DA 06-1510
)	

The Delaware Public Service Commission (“DE PSC” or “Commission”) submits these initial comments in response to the Federal Communications Commission Public Notice (DA 06-1510) issued July 25, 2006 and the extension order issued August 29, 2006 (the “Missoula Plan Notice”). The Missoula Plan Notice solicits comments on an intercarrier compensation reform plan (“Missoula Plan” or “Plan”) filed by the National Association of Regulatory Utility Commissioners’ Task Force on Intercarrier Compensation (“NARUC Taskforce”) on July 24, 2006.

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Initially, the Delaware Public Service Commission would like to acknowledge the efforts of the NARUC Taskforce on Intercarrier Compensation to develop a unified intercarrier compensation regime that

¹ The Missoula Plan has not been endorsed by NARUC or the NARUC Task Force.

would reduce or eliminate arbitrage opportunities. Although the Delaware Commission believes the Missoula Plan falls short and is particularly worrisome for the citizens of Delaware, the members of the Taskforce should be commended for their efforts to provide a solution to a complex set of issues.

The DE PSC vigorously supports the comments of its sister State Commissions who are members of the Middle Atlantic Conference Regulatory Utility Commissions (“MACRUC”) and who have also filed comments in this docket both as individual State Commissions and in a joint comment of the majority of MACRUC States.² The DE PSC joins with their regional colleagues in opposition to the Missoula Plan as presented. The DE PSC simply cannot, in good conscience, support an intercarrier compensation reform plan that imposes significant burdens on the citizens of Delaware, without any real indications of off-setting benefits to Delaware.

The DE PSC also would note that not only the majority of the MACRUC States but almost every industry operator in Delaware has registered its objections to the Missoula Plan in numerous workshops sponsored by individual States and NARUC. The cable industry, Cavalier Telephone, LLC, (Delaware’s largest Competitive Local Exchange Carrier) Verizon (Delaware’s sole Incumbent Local Exchange Carrier), and the majority of the wireless industry (except Cingular Wireless LLC) are on record against this Plan. In addition, the National Association of State Utility

² Comment of the Mid-Atlantic Conference of Regulatory Utility Commissioners filed at the Federal Communications Commission on October 25, 2006.

Consumer Advocates (of which Delaware's Public Advocate is a member) has also voiced disapproval.

The Missoula Plan contemplates subsidies to offset supposed lost access revenues to carriers that will increase the Federal Universal Service Fund ("USF") by \$2.225 Billion dollars. This projected increase would drive the USF to well over 9 Billion dollars, a 32 percent increase over its current level. Once again, Delaware must object to such an increase in the already "out-of-control growth" in the Universal Service Fund and the derogatory effects such a bloated fund has on the continued affordability of telecommunications services in Delaware, with only negligible countervailing benefits. Today, Delaware subscribers currently pay out over \$20 million in support to the Universal Service fund. The 32 percent increase contemplated by the Missoula Plan would result in additional 6.7 million dollar levy on Delaware telecommunications consumers. At the same time, in 2004, Delaware received only 1.2 million dollars in overall USF funding, consisting of Life-Line, federal E-rate and high-cost interstate access funds. Under the Missoula Plan, Delaware subscribers would now pay 26 times, not just 20 times, more into the fund than Delaware would likely receive in return. The 32% increase in USF that would result from the proposed Missoula Plan would conceivably provide infinitesimal, if any, dollars in additional support to the citizens of Delaware.

The Missoula Plan also proposes to increase Subscriber Line Charges (“SLCs”). For Track 1 carriers, such as Delaware’s incumbent Local Exchange Carrier- Verizon Delaware Inc., the SLC would move from its current level (\$7) to presumably the \$10 cap over several years. This is another costly provision of the Plan, which could impact Delaware consumers by increasing another line-item charge on their bill by more than 40%. At the same time, it is difficult to judge the net benefit to Delaware subscribers from such a shift to an end-user charge. With only three local calling areas throughout the entire State, intrastate access revenues are minimal. And while Delaware subscribers do have a proportionally high level of interstate calls, it is not clear that, given the volume of Delaware calls, any “savings” by interstate access rate reductions would ever match the contemplated increase in the monthly wireline SLC charge. The imposition of this additional cost on the consumers of Delaware would shatter any efforts by net-payer states like Delaware to try to maintain affordable telecommunications services to its citizens.

The Delaware Public Service Commission respectfully submits that any plan to reform Intercarrier Compensation must encompass policy goals that are consistent with, and balanced against, the public interests of consumers. The imposition of additional levies on the citizens of Delaware to the benefit of a limited number of geographically situated consumers and niche industry participants will continue to frustrate and de-stabilize

Delaware's ability to maintain affordable telecommunications prices for its residents.

Respectfully submitted,

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